

No. 9/21/DPM

Jakarta, September 26, 2007

CIRCULAR LETTER
TO
ALL COMMERCIAL BANKS
IN INDONESIA

Subject : Second Amendment to Bank Indonesia Circular Letter Number 6/7/DPM dated February 16, 2004, concerning Short-term Funding Facilities for Commercial Banks

In order to improve the method of calculation of Government Bond and Bank Indonesia Certificate collateral value as regulated in Bank Indonesia Circular Letter Number 6/7/DPM dated February 16, 2004, concerning Short-term Funding Facilities for Commercial Banks, as amended by Bank Indonesia Circular Letter Number 7/33/DPM dated August 3, 2005, constituting the implementation provisions of Bank Indonesia Regulation Number 5/15/PBI/2003 concerning Short-term Funding Facilities for Commercial Banks (State Gazette of the Republic of Indonesia Number 99 of 2003, Supplement to the State Gazette of the Republic of Indonesia Number 4317) as amended for the last time by Bank Indonesia Regulation Number 7/21/PBI/2005 (State Gazette Republic of Indonesia Number 68 of 2005, Supplement to the State Gazette of the Republic of Indonesia Number 4518), it is deemed necessary to improve provisions in Bank Indonesia Circular Letter Number 6/7/DPM dated February 16, 2004 as follows.

1. Provision in point I.8 shall be amended to read as follows.
 8. Government Bond, hereinafter to be referred to as SUN, is a securities in the form of promissory note as referred to in Act Number 24 of 2002 concerning

Government Bond, comprising Treasury Bill and Treasury Bond.

2. Between point I.8 and point I.9 shall be inserted 2 (two) points of provision, namely point 8A and point 8B that read as follows.
 - 8A. Treasury Bill, hereinafter to be referred to as SPN, is a SUN with a maturity of up to 12 (twelve) months and interest payment by discount.
 - 8B. Treasury Bond, hereinafter to be referred to as ON, is a SUN with a maturity of more than 12 (twelve) months with coupon and/or with interest payment by discount.
3. Provision in point II.9 shall be amended to read as follows.
 9. Any Bank shall guarantee FPJP with collateral held by the Bank in the form of SBI and/or SUN under the following stipulations.
 - a. The trade value of the collateralized SBI and/or the market value of the collateralized SUN shall be based on the calculation as referred to in point IV.1;
 - b. The collateralized SBI shall hold a remaining days to maturity of at least 3 (three) working days;
 - c. The collateralized SUN shall hold a remaining days to maturity of at least 10 (ten) working days.
4. Provision in number IV shall be amended to read as follows.

IV. CALCULATION OF FPJP COLLATERAL VALUE

1. FPJP collateral value shall be calculated as follows.
 - a. For collateral in the form of SBI
 - 1) The collateral value shall be based on SBI trade value prevailing upon the request for initial FPJP or extension of FPJP or conversion of FLI to FPJP.
 - 2) The collateral value shall be stipulated at no less than 100% (one hundred percent) of the requested value for initial FPJP or extension of FPJP or conversion of FLI to FPJP.

3) The ...

- 3) The SBI trade value as referred to in number 1) shall be calculated based on the price of each SBI series which is automatically computed by the BI-SSSS.
 - 4) The price of each SBI series shall be stipulated by Bank Indonesia based on SBI theoretical price taking account of the weighted average discount rate on issuance and remaining days to maturity.
 - 5) An example of calculation of FPJP collateral value is presented in Appendix 5.
- b. For collateral in the form of SUN
- 1) The collateral value shall be based on SUN market value prevailing upon the request for initial FPJP or extension of FPJP or conversion of FLI to FPJP.
 - 2) The collateral value shall be stipulated at no less than 105% (one hundred and five percent) of the requested value for initial FPJP or extension of FPJP or conversion of FLI to FPJP.
 - 3) The SUN market value as referred to in number 1) shall be calculated based on the price of each SBI series which is automatically computed by the BI-SSSS.
 - 4) The price of each SUN series shall be stipulated by Bank Indonesia as follows.
 - a) SPN
 - (1) SPN price shall be based on SPN theoretical price taking account of the weighted average discount rate upon issuance, remaining days to maturity, and tax on discount of each SPN series.
 - (2) In the event that the Government conducts a re-opening of SPN series which has been issued previously, the weighted average discount rate to be applied in the calculation of SPN theoretical price as referred to in number (1) shall be the

weighted ...

weighted average discount rate of the last SPN re-opening auction results.

b) ON

- (1) ON price with coupon system shall be based on the weighted average price of ON trade transaction as per its series which is settled on 1 (one) working day prior to the request for FPJP (T-1) or based on ON theoretical price in the event of an absence of ON series transaction data in secondary markets on 1 (one) working day prior to the request for FPJP (T-1).
- (2) ON price without coupon (zero coupon bond) shall be based on ON theoretical price without coupon taking account of the weighted average discount rate upon issuance and remaining days to maturity of each series.
- (3) In the event that the Government conducts a re-opening of ON series without coupon, the weighted average discount rate to be applied in the calculation of theoretical price as referred to in number (2) shall be the weighted average discount rate of the last SPN re-opening auction results.

5) An example of calculation of FPJP collateral value is presented in Appendix 5.

- c. In the event that a Bank uses SBI and SUN as the FPJP collateral, the provisions as referred to in letter a and letter b shall be applied for each type of collateralized securities. (An example of calculation of value of FPJP collateral in the form of SBI and SUN is presented in Appendix 5).
2. In the extension of FPJP a Bank may use any SBI and/or SUN which has previously been collateralized, as far as the SBI trade value and/or SUN market value continue to comply with the provision concerning the calculation of collateral value as referred to in number 1 and the provision

concerning ...

concerning SBI and SUN remaining days to maturity as referred to in point II.9.b. and point II.9.c.

3. The mechanism of SBI and/or SUN collateralization through the BI-SSSS shall be in accordance with the procedures as referred to in applicable Circular Letter concerning BI-SSSS.
5. The example of calculation in Appendix 5 shall be amended by Appendix 5 of this Circular Letter.
6. All addressing of division as Money Market Operation Division (OPU), Directorate of Monetary Management (DPM), Jl. M.H. Thamrin No. 2, Jakarta 10010, as referred to in provisions concerning Short-term Funding Facilities for Commercial Banks prevailing prior to the enactment of this Circular Letter, must read as Monetary Operation Bureau (BOpM), Directorate of Monetary Management (DPM), Jl. M.H. Thamrin No. 2, Jakarta 10350.

Provisions in this Circular Letter shall come into force as of September 26, 2007.

For the public to be informed, it is ordered that this Bank Indonesia Circular Letter be promulgated in the Official Government Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

EDDY SULAEMAN YUSUF

DIRECTOR OF MONETARY MANAGEMENT

DPM